Senate Bill No. 1921

Passed the Senate June 20, 1996

Secretary of the Senate

Passed the Assembly June 17, 1996

Chief Clerk of the Assembly

This bill was received by the Governor this ___ day of ________, 1996, at ___ o'clock __M.

Private Secretary of the Governor

CHAPTER ____

An act to amend Section 1241.1 of the Insurance Code, relating to insurance.

LEGISLATIVE COUNSEL'S DIGEST

SB 1921, O'Connell. Insurance: foreign investments.

Under existing law, an insurer may invest in or otherwise acquire or loan upon securities and investments in a foreign country that are substantially of the same kinds, classes, and investment grades as those eligible for investment under the Insurance Code. The foreign investments are subject to certain restrictions. A domestic insurer with admitted assets in excess of $500,000,000 may acquire any foreign investment if the insurer abides by specified limits in the investment of its total admitted assets.

This bill would exempt from the investment limits that apply to domestic insurers with admitted assets in excess of $500,000,000, a property and casualty insurer that has admitted assets in excess of $500,000,000, and foreign investments that do not exceed 4% of its total admitted assets.

The people of the State of California do enact as follows:

SECTION 1. Section 1241.1 of the Insurance Code is amended to read:

1241.1. In addition to the permission granted by Sections 1240 and 1241:

(a) A domestic insurer with admitted assets in excess of five hundred million dollars ($500,000,000) may acquire, directly or indirectly, any foreign investment, if, after giving effect to that acquisition and subject to the limitations of subdivisions (b) and (c), the foreign investments then held by the domestic insurer would not exceed in the aggregate 12 percent of the total admitted assets of the insurer; provided that: (1) no more than 7.5 percent of its admitted assets consist of investments rated two through six by the National Association of Insurance Commissioners Securities Valuation Office; (2) no more than 3 percent of its admitted assets consist of investments rated three through six by the National Association of Insurance Commissioners Securities Valuation Office; and (3) no more than 1.5 percent of its admitted assets consist of investments rated four through six by the National Association of Insurance Commissioners Securities Valuation Office.

(b) A domestic insurer with admitted assets in excess of five hundred million dollars ($500,000,000) may acquire, directly or indirectly, any foreign investment, if, after giving effect to that acquisition, the investments in entities organized under the laws of a single country, or issued and guaranteed by the sovereign government of a country, then held by the insurer, would not exceed: (1) more than 6 percent of its admitted assets if the jurisdiction is rated one by the National Association of Insurance Commissioners Securities Valuation Office; (2) more than 3 percent of its admitted assets if the jurisdiction is rated two by the National Association of Insurance Commissioners Securities Valuation Office; (3) more than 1 percent of its admitted assets if the jurisdiction is rated three by the National Association of Insurance Commissioners Securities Valuation Office; (4) more than .75 percent of its admitted assets if the jurisdiction is rated four by the National Association of Insurance Commissioners Securities Valuation Office; and (5) more than .5 percent of its admitted assets if the jurisdiction is rated five or six by the National Association of Insurance Commissioners Securities Valuation Office.

(c) A domestic insurer with admitted assets in excess of five hundred million dollars ($500,000,000) may acquire, directly or indirectly, any foreign investment, if, after giving effect to that acquisition, the investments then held by the insurer from a single issuer, other than a sovereign government, would not exceed: (1) more than 2 percent of its admitted assets if the issuer is rated one by the National Association of Insurance Commissioners Securities Valuation Office; (2) more than 1 percent of its admitted assets if the issuer is rated two by the National Association of Insurance Commissioners Securities Valuation Office; (3) more than .75 percent of its admitted assets if the issuer is rated three by the National Association of Insurance Commissioners Securities Valuation Office; and (4) more than .5 percent of its admitted assets if the issuer is rated four through six by the National Association of Insurance Commissioners Securities Valuation Office.

(d) A domestic insurer with admitted assets of between one hundred million dollars ($100,000,000) and five hundred million dollars ($500,000,000) may also make the investments in subdivisions (a), (b), and (c), provided that each percentage limitation of admitted assets in those subdivisions shall be multiplied by a factor of: (1) .833 if admitted assets are less than five hundred million dollars ($500,000,000) but at least four hundred million dollars ($400,000,000); (2) .667 if admitted assets are less than four hundred million dollars ($400,000,000) but at least three hundred million dollars ($300,000,000); (3) .5 if admitted assets are less than three hundred million dollars ($300,000,000) but at least two hundred million dollars ($200,000,000); or (4) .333 if admitted assets are less than two hundred million dollars ($200,000,000) but at least one hundred million dollars ($100,000,000).

(e) For the purpose of Section 1241 and this section, ‘‘admitted assets’’ has the same meaning as in paragraph (3) of subdivision (f) of Section 1196.1.

(f) The statement value of the foreign investments, held by an insurer pursuant to this section, that are denominated in foreign currencies not hedged pursuant to arrangements complying with the requirements of paragraph (4) of subdivision (b) of Section 1194.6, shall not exceed one-third of each respective amount authorized by this section.

(g) Nothing in this section shall restrict or limit investments otherwise authorized by this code, including but not limited to the investments authorized by Sections 1173, 1192.4, and 1194.6.

(h) Investments made pursuant to this section shall be classified as excess funds investments and shall be subject to the provisions of Article 4 (commencing with Section 1190) including, but not limited to, Sections 1195, 1196, 1196.1, 1198, 1200, 1201, and 1202.

(i) The limits imposed by subdivisions (a), (b), and (c) do not apply to a property and casualty insurer that has admitted assets in excess of five hundred million dollars ($500,000,000) and foreign investments that do not exceed 4 percent of its total admitted assets.

Approved ______________________________, 1996

____
Governor